

THE MASSACHUSETTS-ISRAEL ECONOMIC RELATIONSHIP:

**An Accelerating Engine of Growth for Massachusetts Business
But Competition from Other States is Intensifying**

EXECUTIVE SUMMARY

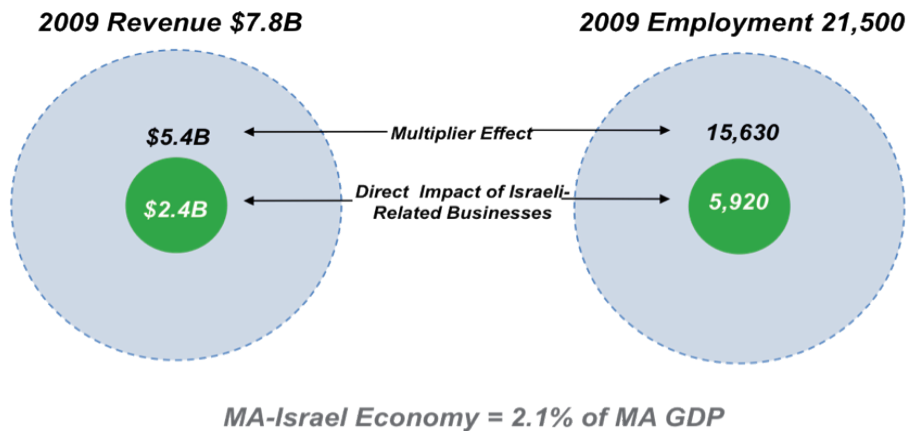
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ISRAELI INNOVATORS SPUR ENORMOUS MASSACHUSETTS REVENUES AND CREATE JOBS

An independent 2010 study by Stax, Inc. surveyed Israeli-founded businesses in Massachusetts, revealing that Israeli entrepreneurship is a significant driver of the Massachusetts economy. The study found that there are nearly 100 companies with Israeli founders or Israeli-licensed technologies in Massachusetts.

In 2009, the impact of these companies included:

- \$2.4 billion in direct revenue generated in Massachusetts.
- \$7.8 billion in total revenue generated in Massachusetts by these companies and the firms which service them, including real estate, legal, financial and other corporations.
- Nearly 6,000 Massachusetts-based employees work in these companies, mostly in knowledge-worker positions requiring high-level skills and experience.
- More than 21,000 employees in total work in these companies and the firms which service them in Massachusetts.



SUCCESS IS BASED ON MUTUAL INTEREST

Israel has been called the “Start-Up Nation” in The Wall Street Journal best seller of the same name, because of its success bringing its innovations to worldwide markets. When an Israeli start-up succeeds, it creates economic growth for Israel and for the other locations where it plants global roots.

- **Israel is a global leader in innovation.** A few examples: Israel has more companies listed on NASDAQ than any other country in the world except the United States. Israel spends more on civilian research & design as a percentage of its gross domestic product than any other country. Israel has more engineers, scientists and Ph.D.’s per capita than any other country.
- **Israeli entrepreneurs open shop in Massachusetts to establish a foothold in the U.S.** Because their home market is small, Israeli start-ups think internationally from inception. They locate in the U.S. to commercialize their technology and access our markets. Many Israeli start-ups view Massachusetts as an ideal launching pad because of our highly skilled workforce, our academic strength, and our life sciences and IT industry clusters, as well as the flourishing Israeli expatriate community.
- **A history of Massachusetts-Israel connections attracts even more new business.** The dense network of ties among Massachusetts and Israeli entrepreneurs, venture capitalists, law firms, academia and not-for-profits build on successive transactions and draw in new start-ups.

CAN THE MASSACHUSETTS – ISRAEL ECONOMIC RELATIONSHIP PRODUCE EVEN MORE?

In a word, ‘yes.’ So far, the success of the Massachusetts–Israel economic relationship has been concentrated in life sciences and IT, with historic competition from Silicon Valley. Where are trends pointing now?

- **Israel is becoming “the cleantech incubator for the world.”** As a nation lacking in natural resources, Israel has successfully used its human resources to attract increasing shares of cleantech venture capital, and is becoming a global leader in developing resources to use solar energy, electric cars, water and biomass to their fullest potential. Israel continually ranks in the top tier field of cleantech start-ups.
- **Other states are aggressively chasing Israeli innovation for economic growth.** Across the U.S., state officials are courting Israeli innovation to boost growth at home. In the past two years, governors and top officials from 15 states have led trade missions to Israel to attract expanding companies back to their home turf. Ten states have trade offices in Israel. And five states have signed agreements for joint ventures, university R&D and co-investment to boost their economies.

THE MASSACHUSETTS OPPORTUNITY

What can be done in Massachusetts to strengthen our ties with Israel and drive further economic growth, especially in life sciences, IT and cleantech? The strong economic ties between Massachusetts and Israel grew out of seeds planted by initiatives 20 years ago. As other states begin to understand the value of partnering with Israeli innovators, Massachusetts' leading role is being increasingly challenged. However, we still have many opportunities to reclaim our position, including:

- **Open a trade office in Israel.** Without 'boots on the ground' in Israel, Massachusetts is not positioned to court their expanding businesses, but 10 other states currently are.
- **Send trade delegations.** The best time to influence Israeli business principals to establish global operations in Massachusetts is before they need to make a choice. Trade delegations led by senior state officials open opportunities for business leaders to drive domestic growth.
- **Invite Israeli initiatives.** The Government of Israel has been forming mutually beneficial partnerships with other states and countries, especially in life sciences and cleantech. Massachusetts has existing, untapped resources that can make our state more attractive than others if leveraged in formal partnerships with the Israeli government.
- **Make the case for a direct air route between Boston and Tel Aviv.** Massachusetts has a time zone advantage over some areas of the U.S., but has a travel-time disadvantage versus New York, New Jersey, Philadelphia and Atlanta because we don't have a direct air route to Tel Aviv. Attracting an airline will take high-level communal effort.
- **Beef up our academic exchange programs.** Like Massachusetts, Israel is home to exceptional universities, but currently there are only a few student exchange programs. Cross-fertilizing both faculty and student populations, especially in the sciences and in business, leverages our respective strengths, leading to further innovation and ultimately, to new business ventures.
- **Promote Massachusetts tourism.** Israelis are global vacationers, but the Commonwealth is not high on their destination list. This high-income, frequent flyer population could be attracted to the many cultural destinations and recreational opportunities in Massachusetts — if they knew about them.

The Massachusetts-Israel economic relationship is strong, built on a history of collaboration and mutual interest. Looking ahead, state government, businesses, universities and not-for-profits will need to redouble their efforts to extend the economic growth and job creation these ties provide, especially in the most attractive sectors of life sciences, IT and cleantech.

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The information and opinions presented in this white paper are solely the responsibility of CJP and the CJP Israel Advocacy Committee, and do not necessarily represent the views of the organizations or individuals listed above.

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